



# Utah's Approach to Health System Reform

Innovation and determination are two common characteristics of Utahns that have carried into health system reform. In 2005, Utah Governor Jon Huntsman recognized the burden of the current health system and the need to fix misaligned incentives and misplaced competition. Along with legislative leaders, the governor set out to transform the system to maximize consumer choice and access, contain costs, and encourage personal responsibility while creating strong incentives for efficiency and quality in our health system. Through 2009, several bills have been signed into law representing significant steps forward in improving and maintaining the health of all Utahns.

## A FOUNDATION FOR SUCCESS

From the beginning, state leaders were charged with the goal of developing a higher-quality, consumer driven health system and insurance market that would provide greater choice, access, and affordability, while promoting individual responsibility. The 2008 legislative session was the proving ground for the innovation and determination of state leaders in reforming our health system. Their efforts resulted in bills that established a foundation for health system reform in several ways.

- **Provider Transparency:** The All Payer Database (APD) was created to provide state-wide quality and cost measures for episodes of care.
- **Patient Transparency:** The Utah Department of Health was authorized to adopt standards for the electronic exchange of medical records by the creation of the Clinical Health Information Exchange (CHIE).
- **Internet Portal:** Legislation created the Office of Consumer Health Services (OCHS) to be housed under the control of the Governor's Office of Economic Development. This office was charged with the task of creating an Internet portal that promotes a consumer oriented health care system by making information available to consumers, allowing them to make more informed decisions.
- **CHIP open enrollment and outreach:** Legislation ensured that Utah's Children Health Insurance Program (CHIP) will cover all eligible children who apply. It also required the state departments of Education, Health and Workforce Services to promote enrollment of eligible children in CHIP and Medicaid.
- **State Tax Credit:** The legislation established a nonrefundable state income tax credit of up to 5% for individuals paying for health insurance with post-tax dollars.
- **Waiver Amendments:** Required state programs to work with the U.S. Department of Health and Human Services to help more people get insurance through private programs and to make public programs and subsidies available to more people in difficult circumstances.
- **Legislative Task Force:** Legislation also provided for an eleven-member Task Force to study health system reform. Members of the Task Force formed five working groups representing various stakeholders who dedicated immeasurable time and effort discussing and exploring reform options and strategies.

## ADDRESSING SIX AREAS OF NEED

Utah's plan for health system reform outlined six areas of need to be addressed as part of the process:

- **Health Insurance Reform:** Change the health insurance market so that employees can choose coverage that meets their needs, is portable as they move from job to job, and can be paid for with pre-tax dollars.
- **Personal Responsibility:** Create incentives for patients to take responsibility for their health, health care, and health insurance.
- **Transparency and Value:** Allow all participants in the health care system to have access to critical information so decisions can be made based on value.
- **Maximizing Tax Advantages:** Give all Utah citizens and businesses access to all of the advantages in the federal tax code to help fund the health care benefit.
- **Optimizing Public Programs:** Ensure that state programs assist and direct eligible patients toward private health insurance solutions where possible, and identify and enroll uninsured children that qualify for existing programs.
- **Modernizing Governance:** Put the state government needs at the forefront on health system reform.



Utah Governor  
Jon M. Huntsman, Jr.

## 2009 LANDMARK LEGISLATION

In 2009, the Utah State Legislature passed landmark legislation setting into motion dramatic changes in the Utah health care system; these measures came as a direct result of the process established the previous year. The legislative Health System Reform Task Force met numerous times in 2008 and relied heavily on input and ideas from a broad base of Utah stakeholders, including health care providers, insurers, businesses, and community members. Through a process of extensive research, public input, and consensus building, the Task Force advanced four bills in the 2009 session. These bills represent critical steps in moving Utah's Health System Reform forward. Among the many ambitious and bold accomplishments are the following:

## Reform: Insurance Market

*H.B. 188: Representative David Clark, House Speaker, Sponsor*

- **Lower Cost, Mandate-Light Products:** The bill creates new, lower cost alternatives in several markets. The bill establishes the new lower cost NetCare health benefit plan, allowing the exclusion of certain state mandated benefits. NetCare will be available as an alternative to employees in the Utah mini-COBRA, COBRA, and conversion markets. This bill also establishes a new product that blends PPO and HMO products and eliminates some of the mandates related to insurer networks.
- **Creation of a Defined Contribution Market:** This legislation increases the availability of consumer information, choice, and power in the health insurance market. The defined contribution system will be operational for the small group market by January 1, 2010. In this market, employees will be able to choose any plan in the market on a guaranteed issue basis using pre-tax dollars. Rating and underwriting in this market will be based only on the employee's age and their employer's group risk factor. The newly established Risk Adjuster Board will guide technical issues related to keeping the market vibrant and functional. Furthermore, the defined contribution system allows individuals and families to aggregate premium payments from multiple employer or government sources.
- **Expanding the Role of the Internet Portal:** This bill clarifies and expands the role of the internet portal in making information available to consumers to make informed decisions in the small group and individual markets, as well as the new defined contribution market. The internet portal will be a one-stop information, shopping and comparison tool for health care consumers. The portal will provide the technology backbone where the defined contribution market can operate.
- **Enhanced Transparency:** While several efforts to enhance transparency were initiated by the 2008 legislation, this bill contains several additional provisions to increase the transparency of the marketplace and to allow consumers improved access to information so they can make better choices. The bill also requires insurance producers to disclose commissions and compensation to their clients.
- **Task Force Re-authorization:** This bill reauthorized the Health System Reform Task Force for an additional year and further required stakeholders to continue efforts for state health system reform.

## Reform: Health Insurance Coverage in State Contracts

*H.B. 331: Representative James A. Dunnigan, Sponsor*

- **Level Playing Field for Contractors:** Contractors bidding for state projects will no longer be advantaged if they do not provide health insurance for their employees. This legislation establishes a requirement that companies contracting with the State for projects exceeding a specified dollar amount provide a basic level of health insurance for their employees. The legislation establishes enforcement and penalties for a contractor who does not maintain an offer of qualified health insurance coverage for employees during the duration of the contract.

## Reform: Administrative Simplification

*H.B. 165: Representative Merlynn T. Newbold, Sponsor*

- **Administrative Simplification:** This bill requires providers and insurers to work together to simplify the billing, coordination of benefits, prior authorization, notification,

and eligibility determination processes. This bill also moves the state toward card swipe technology for insurance cards so that a health care provider and patient can determine eligibility and what insurance requirements must be met for services such as deductibles, copayments and insurance status in real time.

• **Demonstration Projects:** The legislation starts the process for health care payment and delivery reform to realign incentives in the health care system. The bill creates a system wide, broad based demonstration project involving health care payers and health care providers for innovating the payment and delivery of health care in the state.

## Reform: Medical Malpractice Amendments

*S.B. 79 Health Reform: Senator Peter C. Knudson, Sponsor*

- **Tort Reform:** This legislation addresses the unique circumstances of receiving health care in an emergency room where health care providers are required, under federal law, to treat any person who comes into an emergency room. Most times, emergency room physicians must treat with no knowledge of the patient and sometimes with an inability to communicate with a patient to determine past medical history. The legislation establishes a standard of proof for emergency room care in medical malpractice actions based on clear and convincing evidence.

## NEXT STEPS

While this legislation represents significant change for the Utah Health System, it does not address all of the issues. Going forward, we expect additional significant reform efforts to be needed:

- We must continue to fully support and develop the transparency initiatives set in motion in both the 2008 and 2009 legislation. In the near future, data from those initiatives should become available. It will be critical to find ways to analyze and present that information to consumers and others in the health system so that they can make better decisions.
- Implementing the requirements in the 2009 legislation will also take significant effort by the executive branch, the legislative task force, and stakeholders. Some of the critical implementation requirements include:
  - A well-functioning defined contribution market
  - An effective internet portal
  - Low-cost, mandate-light policies for young adults and small businesses
  - Promote wellness and other incentives for personal responsibility
  - Work with all interested stakeholders to develop new systems of payments and practices that put the patient in charge of their health decisions
- Another priority that remains to be addressed is the goal of insuring all higher education system students. By taking advantage of the legislation allowing insurers to offer low-cost, mandate-light policies, Governor Huntsman's office is developing a blueprint that will lead to that goal being accomplished by Fall Semester 2010.
- We will identify and correct other problematic cases of cost-shifting.
- We will study and develop a plan for how public employees will be allowed to interface with the new system.